

Have frameworks prepared when answering a model or valuation question. You don't need to have the right answer, just have a logical framework.

I call this methodology a “crutch” and I will provide you with a few. Fall back on them if you need to. The answers I provide are generic enough to include in many answers if needed.



7 Superb IB Interview Tips



IPO

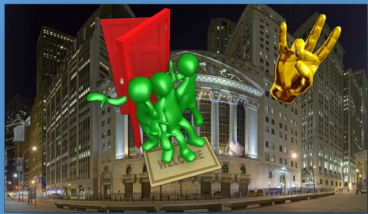
M&A

Buy vs. Build

Modeling

Valuation

Part 1: Quantitative Tips



Part 1: Quantitative Tips: M&A



Interview Crutch Question #1: “Company X is considering acquiring company Y. How would you analyze this scenario?”

You Ask: “Is company Y a competitor or in a different market?”

Competitor

EXPENSE SYNERGIES SCENARIO

- Discuss *synergistic* head count expense cuts in G&A, S&M and R&D.
- Keep drilling down until you get to an EPS accretion #.

Different Market

REVENUE SYNERGIES SCENARIO

- Discuss how company X can use its existing distribution channels to sell company Y’s products?
- Keep drilling down until you get to an EPS accretion #.



Quantitative Tips: Buy vs Build



Interview Crutch Question #2: “Company X is considering entering a market by buying or building. How would you advise?”

You Ask: “TAM? % of market to capture? Cost to build? Cost to buy?”

Build

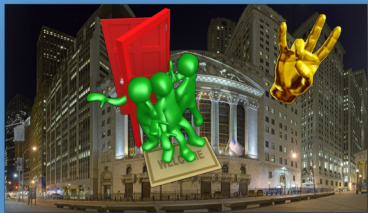
IS BUILDING COST EFFECTIVE?

- Do you have the talent to build?
- How many years to be credible?
- Is this the best use of capital?
- What happens if building fails?
- Finance to build?
- Impact on short/long term EPS?

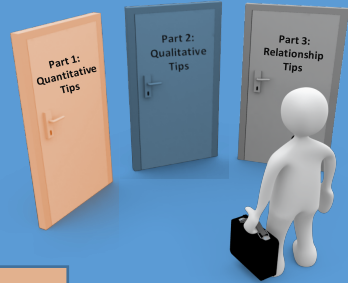
Buy

IS BUYING COST EFFECTIVE?

- Is it urgent that you get to market faster?
- What happens if the deal doesn't work (integration issues)?
- Impact on short/long term EPS?



Quantitative Tips: IPO



Interview Crutch Question #3: “Company X is considering an IPO. How would you advise?”

You Ask: “What valuation?”

GO

Go If:

- The competition's p/e, peg, p/r (other multiple's) are more expensive.
- The IPO market is robust.
- If recent companies in the same sector had successful IPOs.

BONUS:
“Maybe we can test the market by conducting a Non Deal Roadshow.”

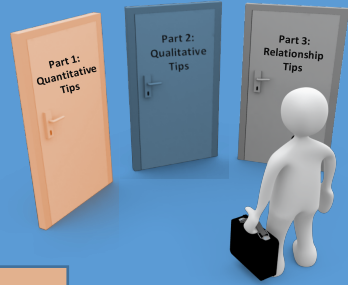
NO GO

No Go If:

- The competition's valuation is cheaper (with similar growth).
- The IPO market is awful.
- If recent companies in the same sector had awful IPOs.



Quantitative Tips: Modeling



Interview Crutch Question #4: “Explain how to build a financial model from scratch.”

You Ask: “Is this a public or private company?”

Public

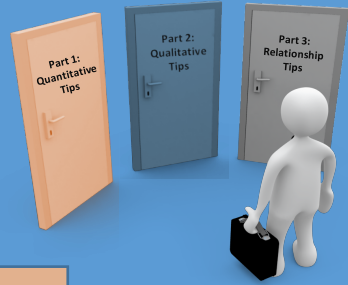
- Get model data @ sec.gov from the past 10 years using 10-Ks or the S-1 if a recent IPO. (I.R. too)
- Create the I.S., B.S., C.F.
- Analyze past trends and forecast the next 5 fiscal years.
- If possible, speak with the CFO.

Private

- Ask the company....or else:
- Find out what the T.A.M. is (add up revenue from top 25 firms).
- Decide what % of the TAM the company will have in 10 years.
- Project sales & make most IS elements a % of revenue.



Quantitative Tips: Valuation



Interview Crutch Question #5 (X company is going public. You need to create a model to value X. You work for X and relative valuation is not an option.)

More Multiples:

If you sense that the interviewer is a value investor, you can use a P/B multiple as well. You can also use EBITDA multiples. It's always wise to value using a few methodologies and then get the average.

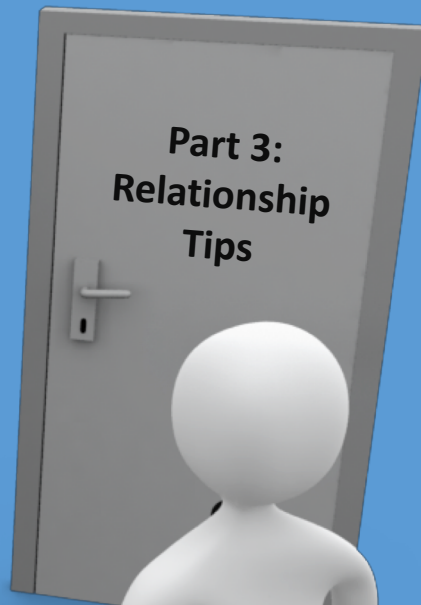
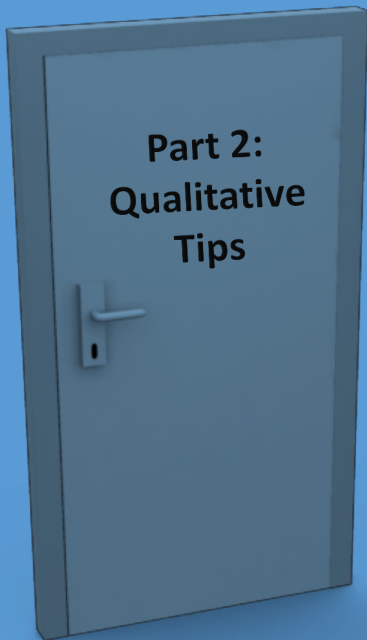
DCF

- Project the IS, BS and CF (10 yrs).
- Calculate FCF (EBITDA – capex).
- Calculate WACC (mention % debt and % equity) then what is the risk free rate, market return and beta.
- discount 10 years FCF and T.V.

P/E

- Forecast the IS for 5 years.
- Look at non-GAAP EPS in year 5
- Apply appropriate sector EPS multiple (use the EPS growth rate with the comps too).
- Apply multiple to year 5 eps.

- Apply P/R multiple to yr 5 revs.



SWOT

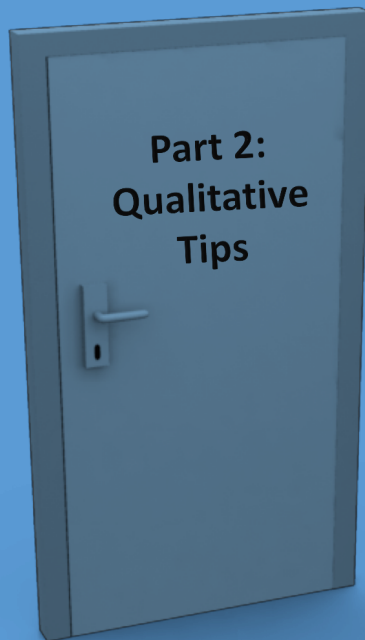
PLC

Part 2: Qualitative Tips

Porter 5 Forces

BCG





Likeable?

Integrity?

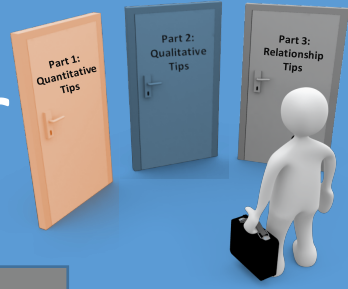
Part 3: Relationship Tips

Follow up?

Resourceful?



Part 3: Relationship Tips? Answer



Interview Crutch Question "I don't know the answer to this question. Can you give me some options?" [If you have no idea what the answer is, use these options].

**You must
pass the
O'Hare
test!**

I will get back 2 u crutch

"I am sorry but I don't know the answer but I will get back to you. Thanks"

Then in your thank you email later that night, mention the answer. This shows you are proactive and not a BS'er.

Other Industry Crutch

"I am sorry but I don't know much about company X. However, please let me know if you would like me to discuss the industry instead. Thanks."

"I am sorry but I don't know the answer to this question. However, please let me know if you would like me to discuss company Y instead. Thanks."